Finding a Place for Capitalism

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Toronto

2018-11-27

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“The liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is fascism.” (Franklin D. Roosevelt)

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Foreword

The Occupy Wall Street movement of 2011 made a lot of people think differently about capitalism. Just as 100% socialism (communism) was not workable, neither is 100% capitalism. This paper suggests a framework for thinking about what goes where.

Introduction

We are a consumer society in a capitalist economy. We hear from capitalism quite a bit. Not surprising since the western media is mostly owned by capitalists. In 2011, executives at the Bank of America became concerned that they were making less profit. The bank was not in danger of losing money, nor even of not making a profit, but of making *less* profit. They decided to slap a new $5 fee on debit

card transactions. There was outrage from the bank's customers. In response to that outrage, Bank of America CEO Brian Moynihan declared, "We have a right to make a profit." The debate in the press at the time was around the consequences of the bank's actions and the consumer backlash. Nobody questioned the "right" Moynihan claimed. Left unchallenged, such things become axiomatic, even though no such right exists anywhere in the US constitution. In recent times, capitalism has been very successful at establishing this sort of axiomatic foundation upon which it builds a rationale for economic dominance. A lot of the work for this is being carried out by capitalism's political voice: Neoliberalism.

Neoliberalism

Neoliberalism was born at a 1947 meeting in Switzerland hosted by an Austrian economist named Friedrich Hayek; the economists who attended dubbed themselves "The Mount Pelerin Society". A number of economists have been members, including Milton Friedman, who served as its president at one time and who came up with the "Trickle Down Effect", which captivated Ronald Reagan and informed a lot of his thinking on the American economy. Trickle down theory posited that wealth distributed at the top of the economic ladder would trickle down to those in the lower strata. Instead it has produced enormous economic disparity.

Neoliberals believe that economies should be subject to open and "free" competitive markets and that economic freedom should take precedence over political freedom. They define economic freedom as low regulation, small government, low taxation, the ability to move capital around without hindrance, an absence of collective bargaining, and governments which refrain from the provision of products and services. Neoliberalism is the political face of the same full metal jacket, roaring twenties style capitalism that produced the 1929 crash and Great Depression which followed. Neoliberal "think tanks" like the CATO and Hudson Institutes in the US and the Fraser Institute in Canada use this definition to constantly propagandize the public with a stream of studies, indices and presentations extolling this invented framework, with considerable success. The battle of major Internet Service providers, or ISPs, provides an interesting example of how capitalists battle regulation…

When Brian Roberts, Chairman and CEO of American mega telecom, Comcast, was asked in an interview about his position on net neutrality, he said "What you call net neutrality, I call regulation." End of discussion. The American mainstream media interviewer didn't bother to ask why regulation might be a bad thing. Capitalists are against regulation, and no more need to be said, just as with the "right" to make a profit, the interviewer could assume his audience would already have been "briefed". In a neoliberal world, every railroad could use a different track width. Capitalists would scoff saying the example is ridiculous because only regulation that works for them is acceptable. Anything that helps us, the consumers, well that's negotiable. Roberts got his wish. The large internet service providers like Comcast, AT&T and Time Warner all banded together and lobbied US politicians, pouring huge sums into their election finance accounts. When Trump came into office, one of the first appointments he made was Idjit Pai to head of the Federal Communications Commission or FCC. Pai who was very much against net neutrality, claimed that capitalist competition will sort things out for the benefit of the consumer, ignoring the fact that companies like Comcast and Time-Warner would not only make money off of this key element of infrastructure, but would also be able to control it for their own benefit. When Pai revoked the FCC's policy on net neutrality, the state of California passed

its own net neutrality legislation. In response, Randall Stephenson, head of AT&T raged that such legislation would compromise future internet technology innovation in spite of the fact that the internet has managed to be a remarkably innovative space long before the major providers got it into their heads to use mechanisms favouring their content over that of others. Another joint effort by the big internet services providers, or ISPs, involved blocking efforts by municipalities wanting to provide internet service to their residents. The major ISPs started pouring money into state election campaigns and were rewarded with legislation forbidding municipalities from doing so, even though the service they were providing was faster and cheaper than the heavily managed service provided by the big boys. At the time of writing, about half of US states had such a legislation.

Not only the big internet providers resist any move towards regulations. The 2008 financial disaster came on the heels of decades of deregulation of the financial industry in the US, allowing Wall Street investment banks to wheel and deal in dodgy vehicles like subprime mortgage backed securities. Under this flight of idiocy, people were given mortgages without any means test to determine their ability to pay. The mortgages had escalator clauses that meant an initially low interest rate would balloon to a much higher rate. Lending banks packaged these "sub-prime loans" and sold them on the market to investors, proclaiming their soon to be above market rate interest payments. This was done in such huge numbers that when people began to default on their inflated mortgages, not only individual investors, but also major corporations and even small countries found themselves teetering on bankruptcy. At one point there was doubt that even bank deposits were at risk of evaporating. There might be a case for some sort of fraud charges here, but Wall Street investment bankers who lost their job still received magnificent severance packages instead of jail sentences. Marc Carney, then head of the Bank of Canada, and soon to be head of the Bank of England, went to New York to speak before a business audience. When he called for greater regulation of the financial sector, he was hooted down from the audience by Jamie Dimon, head of investment bank JP Morgan.

After 2008 there was a lot of comment about companies that had become too big to fail. We need to recognize that capitalism has produced organizations that are too powerful to regulate.

Neoliberal philosophy has been successful at infiltrating governments. In Canada, Conservative politician Stephen Harper studied Economics at the masters level under Hayek and was elected Prime Minister in 2006. He went to work implementing its tenets. When he slashed taxes, Conservative pundits crowed that he had set a tax trap for any other party that might govern after him because they wouldn't dare raise taxes. Why wouldn't they? Because neoliberal think tanks have been so successful at making taxes seem abhorrent that nobody would risk a backlash from raising them. This set a trap in another way as well. Starved of tax revenue, governments are forced to cut back on services, leaving the market open for private sector capitalism to flourish. When he was voted out of office 10 years later, Harper was moving towards starving the country's government funded single payer universal healthcare system to death to make room for the entry of competitive for profit substitutes. A system Canadians love and are proud of was under threat because of one man with a economic philosophy few people were even aware of. Not surprisingly, Harper never mentioned any of this in his election platforms. Indeed, he was careful not to have much of a platform at all aside from neoliberal platitudes about low taxes and free markets. Additionally, he regularly refused to take questions from the press at his "media availabilities". He did, however, make his thinking clear before his election in a speech given before an American audience in which he declared that Canada was a European style socialist state "of the worst kind". As Maya Angelou once said, "When people first tell

you who they are, you should believe them". He later commented in a 2018 interview that he found American Senator Bernie Sanders, who advocates for Canadian style single payer government funded universal healthcare, "really, really, frightening". Poor fellow!

The rise of the Occupy Movement in the fall of 2011, following on the complete economic disaster caused by rampaging, deregulated Wall Street capitalism, gave hope that a pushback from the lower rungs of the economy, the 99%, was under way. However, thanks to massive flows of money to think tanks from the likes of oil multibillionaire Koch brothers, the anguish of the 99% has been drowned out by the constant drone of neoliberal propaganda. Not surprisingly, Koch Industries, which is one of the top ten polluters in the US, also supplies generous funding to climate change denial. Meanwhile, the consumer's voice is nearly silent, concerning itself mostly with transactions and products. There are government "Consumer Protection Agencies", but their funding is sporadic - adequate under left leaning governments; meager under the right. These agencies are not so much interested in examining the system as in making sure it works fairly in terms of specific commercial offerings. This paper is concerned more with the nature of the system.

Capitalism's Achilles Heel: Cost

Theodore Vail, CEO of newly burgeoning AT&T back in the early 1900s, wanted a monopoly in long distance telephone service. He wanted it so badly, he was not above hiring thugs to tear down competitor lines! Be that as it may, Vail came up with an argument to convince the US government to let him run the business as a monopoly. Vail's argument was that competitive capitalism is expensive for the consumer who will end up paying for costs associated with multiple competing suppliers, while a monopoly would be cheaper to run. He suggested that AT&T would voluntarily submit to regulation if no competitor was allowed to operate. The government agreed and created the Federal Communications Commission, or FCC, to be Vail's watchdog. Here was a rampant capitalist telling the bald truth to get what he wanted. Karl Marx, who maintained capitalism's natural tendency is to create monopolies, would have loved this guy.

Capitalists worry about costs and hate to spend money. Costs are looked at for every component. If labour is too expensive, they move to a jurisdiction with cheaper labour. If taxes are too high, they move somewhere with lower taxes. If the cost of raw materials goes up, they increase prices and the consumer pays more. Governments tread in fear that capitalists will take the business elsewhere, so they compete by offering incentives around tax, zoning laws, and so on.

Consumer societies do have options. As a society we have the power to decide which markets should be served by capitalism and which by some other mechanism. If an entire market is not zoned for capitalism, but provided for by some sort of regulated monopoly, there is no business to move away. Communism taught us that you cannot have the government do everything. Capitalism is showing us that very capitalistic societies create huge disparity and are tremendously volatile: when they swing rapidly around, great dislocation occurs; when they are not volatile, they create tremendous disparity. One hundred per cent capitalism doesn't work for everybody. The American healthcare system, mostly at the tender mercies of capitalists, has the highest costs and the lowest outcomes in the G7 with respect to things like infant mortality and life span. This is life itself we are talking about. Capitalism just does not deliver for too many people. You would think capitalists would feel they have a stake in the health of the workforce, on general principle, but it only seems to care for the ones useful to it. Societal bench strength is not its concern.

Capitalists get upset if government steps into the marketplace. Consider the fuss over Obamacare (The Affordable Health Care Act). Capitalists were steaming mad when it was introduced, even though it addressed critical failings in the existing private sector healthcare insurance market, such as the exclusion of people with pre-existing conditions. Consider the following scenario described to me by a couple I met while on a camping trip in Michigan: let's say you're a diabetic and you work for a company that provides healthcare insurance. You're covered, so no problem paying for the doctor visits, tests, drugs, etc.. Your company falls on hard times, however, and management looks to cut costs. They could cut profit but that would make the shares drop and these guys are paid in shares, so executives decide to look for cheaper healthcare insurance options. The insurer says, no problem, we have plan B, but pre-existing conditions will not be covered. Bingo. Your insurance is cut off. Brutal but, that's capitalism. The concept behind insurance was originally to provide coverage at a reasonable cost by spreading risk out over a large number of policy holders. Insurance companies now seek to maximize profit by gerrymandering risk out of the market. The American for-profit competitive multi-payer health care insurance system has the highest infant mortality and lowest life spans in the G7. Clearly, capitalists love money more than life itself, a mindset that is clearly unsustainable.

As consumers of products and services, we can think in terms of putting out bids. What should be done by competitive capitalism; what should be done by some form of monopoly? Theodore Vail said monopolies were cheaper for the consumer so let's start by looking at the ways in which costs for competition differ from those of a monopoly.

Advertising: the voice of Capitalism

Advertising is how capitalism communicates with the consumer and is itself a capitalist industry. Although a monopoly might advertise, it does so mostly to provide information and doesn't need massive spending to put its brand forward. The advertising industry claims to keep everybody honest with self-regulation, but only tells the whole truth when forced to – for example, pharmaceutical companies advertising directly to consumers in the US are compelled by law to list side effects and risks, often in a comical stream of hushed speed talking. You don't get that kind of information about, say, a car, a cell phone service or any widely advertised product. Imagine the speed talk script for an internet service provider: "Speed obtained by testing on a server in the CIO's office; we reserve the right to change anything at any time; we don't guarantee uptime, net neutrality, or any of that other liberal crap".

Advertising always presents offerings in an ideal environment: bright, spacious, modern homes where attractive upbeat people walk around smiling broadly and high fiving each other because their clothes smell fresh. Commercial advertising serves only the capitalist and provides very little value to the consumer because It works mostly by constantly presenting the brand image, logo and message over and over, brainwashing the public in a process marketing people refer to as "imprinting". This is also the technique used by right wing think tanks to, among other things, make people think that low taxes are sweeter than Mom's apple pie. Mainstream media uses, of necessity, a shotgun approach – throwing out ads at everybody, whether they might be interested or not. If you're not in the market for a car, you get the ads anyways. Endlessly. The digital age has brought a finer refinement by companies like facebook and doubleclick that stalk you wherever you go.

Advertising is not cheap. Back in 2011, the year of the Occupy Wall Street movement, Advertising Age (adage.com) put industry spend statistics online at no charge, hoping to encourage companies to

spend more. Those statistics are behind a paywall now, so those looking for more up to date numbers, can buy them from adage.com. Back then, the cosmetics industry spent 19.8% of SALES revenue on advertising. If you bought $100 worth of cosmetics, you paid $20 for advertising. The motion picture industry spent 14% of sales on advertising - $1.40 on a $10 ticket. The motor vehicle industry spent 1.7% of sales - for a $35,000 car, the bill is $595 ! Real Estate Agents 4.5%. Around here, agents have been getting a 6% commission, split between the buyer's agent and the seller's, so on a $1 million home (common in Toronto these days), agent fees would be $60,000 and of that, $2,700 would be for advertising.

On top of this, there is the constant annoyance of having it intruding on your life in any number of ways.

An industry where advertising calls the shots is television. Most people don't really get free television because they subscribe to a cable service. However, the fee you pay every month does not get you advertising free TV. Consider that, during the CNN Sunday International Affairs program "GPS with Fareed Zakaria", there is, at the time of this writing, one minute of advertising for every two minutes of programming! CNN stands for Cable News Network; there is no other way to view it live except by paying a cable provider. You pay in terms of time lost as well. Americans, on average, give up a lot of time to television advertising. According to Nielson (2018) the average American watches 28 hours of television a week. Nielson's latest figures (2013) show that 14.25 minutes of every hour of broadcast time is devoted to advertising. In a week, this would be 399 minutes or 6.65 hours; in a year, 345.8 hours. The US Census bureau tells us that the median salary in the US (2016) was $46,640 so assuming a 40 hour week and 52 week year, this works out to $22.42 per hour. Multiply that by hours of advertising and the median American loses $7,752 worth of time every year to advertising!

Another cost of course is privacy loss, something being widely examined these days. Broadcast and print media advertising is one way only, but digital advertising uses mechanisms that collect information about you (behind your back in a number of ways), and then it sells it in some way to advertisers in a controlled manner so you can be targeted directly with ads based on your perceived interests. While capitalists love to peep into your life, they themselves strive for secrecy, citing competitive necessity. When regulation forces transparency on them, they work tirelessly to eliminate it. Look at the Dodd-Frank Act, which was passed after the 2008 Wall Street fiasco to force transparency on banks and provide consumer protection. It lasted 4 years before being repealed for many large banks in 2018 by a Republican Congress and the ultimate capitalist, Donald Trump. In the digital world, facebook got into trouble because it sold its user data in an uncontrolled manner, even allowing "developers" (i.e. actors who had paid a fee) to download and save it. A company calling itself Cambridge Analytica (much to the chagrin of venerable, unrelated Cambridge University) did just that and sold it to people who used the data to interfere in the 2016 US election. In response to the outrage, the US Senate conducted hearings and compelled facebook founder Mark Zuckerberg to appear. When asked how his company makes its money, he responded "We advertise, senator." That actually got a chuckle, although it's a very poor joke. Zuckerberg is now refusing to appear before similar committees in Europe and Canada.As I write this, facebook is reportedly looking for banks to give up banking information on their clients. It has denied this, saying it's only interested in supporting financial transactions, but trust has been eroded and the story found traction in the press. Anybody who has used facebook, google, and so on knows that they stalk you like a creep, even when you're not using them. Social media developers will tell you that it is all in interest of making the service more

responsive, but the people who pay the bills have a say. Maybe your family uses social media to stay in touch, so you create a social media account. When the user agreement comes up, you can read it but if you want to be part of the crowd, you have no choice. In a low regulation environment, the agreement is written to indemnify insider parties against you. This is what consumers have accepted because they think they get something for nothing. Because of the free advertising model, anybody who tries to mount a paid service will be competing with free. This has had a disastrous effect on the newspaper industry. Maybe if everybody had to pay for content, it would be affordable. It seems to be working for Netflix.

Redundancy

Competition can only exist when there is more than one actor in the market. Each will have an executive group, a marketing and sales department, a manufacturing facility, an IT division, so on and so forth, depending on the type of business. In the insurance business, for example, you don't have a manufacturing facility, but a whole bunch of lawyers, actuaries, claims adjusters. The cost of this is served up to the consumer. In the private sector, salespeople can be very highly paid. I worked for a software company that hired salespeople on an "eat what you kill" basis: they were paid a low salary but got 20 points on the dollar for every sale of the very expensive specialized corporate software it produced. A sale of $100K would put $20K in the sales person's pocket. There were also high-octane sales meetings, often in some lovely tropical setting. The troops would be rallied during the day and party at night. This sort of setup is very common in capitalist businesses. With a monopoly, sales people become less highly paid order takers. There will only be one executive level, rather than multiple executive groups. They will also likely be a lot more honest. As I write this, Canada is dealing with a huge volume of complaints about dishonest practices in the highly competitive mobile phone industry.

Economists will argue that competition will result in prices being bid down to their lowest level, but price must still include costs like advertising, salaries and raw materials so, if a company is going to survive, even at the lowest price, you are still paying for competition.

Monopolies will also tend to benefit from economies of scale and increased bargaining power with suppliers.

Profit: Capitalism's Value Added Tax

Capitalists will tell you that profit is good. Lots of profit is great! They consider profit to be a justifiable compensation for risk, and even, as Brian Moynihan believed, an entitlement. If you have no choice but to pay a profit, how is that different than having to pay a tax? The capitalists might argue, "Well, the difference is that you have a choice because there is competition, whereas in with government taxation, there is no such choice." But if every actor in the market is striving for profit, what choice is there, really? In 2011, a year when the US economy was recovering from the 2008 Wall Street mass fraud, the S&P 500 Consumer Staples sector produced a profit of nearly 10%! This is for the necessities of modern life like cleaning supplies, beverages, food and retail stores. You've lost your job, can barely afford to feed your family and you're in danger of losing your home but capitalists are taking a tip of 10 cents on every dollar.

Profit might benefit the consumer if it's spent on new product research and development, and some of it is. However, a lot goes out to shareholders (like the company executives) in the form of dividends and more is used in share buybacks, which add nothing to productivity but drive up share prices for, you guessed it, company insiders.

Like a value added tax, profit is additive. Consider an ordinary stainless steel spoon such as is used in kitchens all over the world. The mining company extracting the ore from which the steel is made will make a profit which it adds to the price charged to the company who buys and smelts that ore into raw metal. That company too will want to make a profit, which is passed on to the company that uses the metal to make stainless steel. It is added again when selling the stainless steel to the company that makes the spoon, and the retailer who sells it to you. At every level there will be transportation companies, distributors and other actors who will also add profit to their price. By the time it gets to the consumer, there is a whole lot of profit! This is in fact the way value added (aka sales) taxes work. Not something you'll hear from the neoliberal crowd.

Capitalists will of course tell you that profit is essential for capitalism to work and while this may be true, it is a "greater good" argument, just as those who argue for taxes make greater good arguments. I believe that greater good arguments are matters for societies to ponder.

Socialized Costs

In November of 2018, GM announced thousands of lay-offs, closing plants in Canada and the US. In Canada, the federal and provincial governments stepped forward with pledges of assistance to help laid off workers get back on their feet. In effect, GM was walking away with its profits, and leaving government to handle the social costs. This is called "socializing the costs". There are many examples of this. Another one involves oil and gas companies, including those of Koch Industries. These companies drill wells to pump carbon fuels out of the ground. When the wells are depleted after years of churning out profits, the companies simply walk away from them, leaving governments to clean up the abandoned site. More socialized costs.

Capitalist Infrastructure Costs

When capitalists "go to the market" to raise capital, they engage an extraordinarily expensive process operated by investment banks. Investment bankers are without question one of the most expensive agents at work in the capitalist system. They drive very expensive cars, live in very expensive mansions and live very lavish lifestyles but they produce no product or service of use to the consumer. All the money they use up has to come from somewhere and that somewhere is the pocket of the consumer. Of course, it's not a direct expense – it's buried in the "cost of doing business". Price Waterhouse Cooper estimates the costs of taking a company public start at around $5 million in one-time costs plus ongoing costs between $1 and $2 million annually. On top of this is a bill for between 4% and 9% of the total proceeds of the share offering. Considering that some initial public offerings generate share sales in the billions, this is not chump change and it all filters down to the consumer. Consider as well that these are the guys who will ruefully shake their jowls and moan about labour costs.

Options Related to Modes of Operation

I'd like to start by dispensing with the term "consumer", which brings to mind passive ruminants lowing in a pasture, gobbling down what is laid at their feet. Let's use "buyer", which connotes more

active participation by savvy participants examining all the implications of their decisions. A person who declines to buy products made in a country that severely mistreats a subjugated people is a buyer; one who buys those products anyways because they meet an immediate need, would be a consumer.

A buyer who seeks to acquire products and services will examine modes of delivery, just as a person buying television services might consider whether to get a satellite or cable service. Some, but certainly by no means all, of those modes is described below…

Competitive for-profit Private Sector Capitalism

As demonstrated above, competition and profit are expensive from the buyer's perspective. However, capitalism provides mechanisms for raising money, as well as for assessing and rewarding risk. Where risk is a significant factor, for example in the development, distribution and retailing of products, capitalism is an excellent solution. Governments, on the other hand, have dreadful records for risk management because they are so sensitive to political pressures. A government department or agency will only rarely develop new and innovative products. Anybody who has worked in government can tell you that innovation is typically discouraged due to extreme risk aversion. Capitalists embrace risk and are much better at product development and distribution. Capitalism is also an excellent mode of operation for small business which, in the West, accounts for a large portion of the jobs market. Capitalism needs to be encouraged but it is not a universal solution for every need. Governments should refrain from competing with capitalists in their markets, but on occasion, this is necessary – again citing the case of the US Affordable Care Act which was introduced to address glaring inefficiencies in the US healthcare insurance system.

Socialism

Socialists tend to favour government run services but governments are not reliable suppliers and often create inefficient bureaucratic money-wasting muddles. They also tend to alter funding streams to suit political exigencies making them susceptible to populist movements. Populism is all too often the skillful manipulation of useful idiots, viz. the election of Donald Trump. Not surprisingly, Trump Svengali Steve Bannon thinks populism is a great way to run a country. Despite many assurances to the contrary, governments tend to strongly resist attempts at transparency. In Canada, tax revenue goes into a single black box called "General Revenues" and where it goes from there is not at all easy to determine.

There are, however, areas in which government supplied services are considered best for reasons less related to cost than other considerations. The issuance of passports, military and policing, development, monitoring and enforcement of regulations, are just a few others. One important difference is that governments can set population level goals, for example a government can decide it is in the best interest of the country to have a highly educated workforce and to fund education to meet that goal. Capitalists do not set those sorts of goals, and in fact cannot because capitalism automatically sets profit above all other objectives. A capitalist might proclaim that setting standards can be done by governments, and that this is what government should restrict itself to doing. As I've pointed out, though, regulating capitalists turns out to be more difficult than herding cats. They always find a way to defeat regulation, almost always by deploying massive quantities of money few can put up to combat them.

Give 'Em the Old PPP

Public Private Partnerships, or PPPs, are often discussed in the media and take many different forms. All of them involve a government wanting to accomplish something and engaging contractually in some way for a capitalist to be involved developmentally and/or operationally. For example, government may decide it needs a bridge built somewhere, so it engages with a capitalist to finance and construct it according to government specifications. The capitalist is then given a long term contract to operate the bridge and collect tolls from which it can recover construction and maintenance costs, as well as some profit. This is often an effective solution for many reasons, not the least of which is that governments are all too often incompetent project managers.

Something that is not thought of as a PPP is a situation where the government mandates a service or product on consumers and leaves the provision of the service to capitalists. An example is auto insurance. Governments in many places require auto insurance if one is to drive a motor vehicle. This is a good thing but by making the private sector the only supplier of the product or service, government throws buyers on the tender mercies of capitalism. Ontario is like this and now has among the highest auto insurance rates in North America. Attempts to force the industry to reduce rates are usually foiled by subterfuge. One interesting facet is that many government pension funds are invested heavily in the insurance sector. In other provinces like British Columbia, the government operates the auto insurance business and BC rates are lower than Ontario's. Ontario has been on a privatization roll of late. For example, the testing of new drivers has been handed over to a private sector operator. The province of Alberta did that and is now thinking of taking it back because statistics point to high failure rates motivated by a strategy to increase profits by forcing people to be tested (and charged) more than once. Attempts to examine this more closely, were stymied by a lack of transparency. A number of testing centres in Ontario have failure rates of over 40% !

Government and Capitalists Competing in the Market

Capitalists are loudly horrified when government acts in the market but it is actually fairly common in some sectors. Many governments fund and control education from elementary school through to university. However, they do not maintain a monopoly and private sector actors also play in the same sector, although private schools are typically only for either the elite or the religious. Here again, the problem with government funding is that it is unreliable. One government will increase funding for education, only to be followed by another that cuts back on education in favour of lower taxes. Neoliberals believe that everything should be subject to market forces, in which case, all schools at every level would be private, profit-making enterprises. As I've already shown, this would be more expensive and the buyer would still have to pay, but instead of paying through taxation, the bill would come from Shoolco and the ability to set goals like a highly educated workforce would take a back seat to profit. Competing entities will only co-operate to maximize profit. Additionally, there is little risk in the sector. What would be the reason to privatize schools other than to provide low risk and expensive profits for capitalists, but at the cost of goal setting.

Taxpayer Funded Delivery Mechanisms

Governments may deliver their offerings in any number of ways that either report to the government in power through government officers, or to a legislative body as a whole. The later provides more independence and transparency because the opposition, and the public, get to see the report, and

not just politicians in power. This is very effective, but only if free of legislative monkey business such as US Senate Majority Mitch McConnell engaged in when he refused to schedule confirmation hearings for a Supreme Court candidate Merrick Garland.

Governments change hands regularly in democracies. One day the government leans right, the next it leans left. Essential core services need to be buffered from whipsaw partisanship. Unfortunately, even such institutions are not safe from the grasp of politicians. As I write this, here in Ontario, the provincial Conservative government of Doug Ford has just eliminated 9 such independent agencies by fiat. One of them was an organization that advocated for abused children. He was able to do this because he has a legislative majority.

Improving Taxpayer Funded Delivery Mechanisms

Organizations that report to legislative bodies as a whole are much better for transparency. In order to shield them from the whims of political partisanship, they could be made subject to super majority type legislative processes. For example, creation, modification or elimination of such agencies might require a two thirds or three quarters majority in the legislative body that empowers them. This could be strengthened further by stipulating that the super majority must include at least some small number of votes from any opposition parties. This alone, however, would not be sufficient because governments still have funding power and, despite promises of transparency, they tend to engage in bafflegab and secrecy, making vague election promises they often renege on later. Elections need to be made more transparent.

Right now, election processes in many western countries like Canada and the US are a ridiculous clown show. A Faulknerian "tale told by an idiot, full of sound and fury signifying nothing". Incredibly, it is possible for a political party to gain control of the government in an election without actually putting forward a coherent documented platform. In Canada, both the federal Conservative government of Stephen Harper and the provincial Conservative government of Doug Ford did just that, not only refusing to put forward a platform but dodging and ignoring questions from a press intent on making it do just that. Instead, they got elected by playing the populist game, whipping up emotion against the other parties, shouting angrily about the competition. Would you buy a house under these circumstances? Then why a government? The situation in the US with the election of Donald Trump was even more idiotic. This has to stop. Political parties asking us to let them control our countries, regions and municipalities need to provide clear cut platforms spelling out detailed financial costs. Every party should be required to specify how much it intends to collect in total revenues, and what amounts will be spent for every major department and agency under its control. What per cent will be spent on the military, health care, social assistance, transportation, and so on. This should be further broken down by stipulating the tax burden at each level of taxation. How much will somebody making $X per year be taxed and how would that be broken down for these agencies and activities? For example, an income of such and such will have a tax bill of so much, this much of which will go to this function, that much of which will go to that function delivered through this independent agency… Show us the money!!! Further, every government should report clearly on how much it has actually spent every year on all of the agencies it described in its platform. Independent agencies too should be mandated to report exactly on what they have spent in every one of their major activities in their reports to legislative bodies. Improved transparency around elections will provide a healthy

alternative to the populist ravings that have brought nothing but trouble and division to the taxpaying electorate.

Conclusion: The Buyer Society

Societies, like householders, can make purchasing decisions not only about what they buy, but from whom they buy it. Just as a shopper will buy meat from butcher Polowski because he provides free bones for the family dog or vegetables from green grocer Chin because she has the best variety and quality, societies can consider what delivery mechanisms will serve them best. This is something that every society should consider carefully and has a right to decide for itself. What is the best way to deliver core essential services. What does a society consider to be core essential services? Water delivery? Environmental monitoring? Military services? Police services? Healthcare? Retirement funding? Unemployment insurance? Donald Trump's Budget Officer, Mick Mulvaney once said, while announcing funding cuts to federal agencies, "We have to get Americans used to the idea that the government is not here to solve their problems." Indeed! So what is government for then? While there are problems with government agents, there are solutions at hand. Transparency, especially around tax revenue and spending puts decision making in the hands of the electorate, more so if done during election campaigns. The temptation for some to socialize everything has to be tempered with a recognition that capitalism provides growth, a mechanism for dealing with risk, and generating innovation while government services provide the fertile soil upon which that growth can grow.